

## Sharing Use Tax Revenue with Revenue Agencies of Other States “Operation Equity”

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**PURPOSE:** The purpose of this Special Notice is to describe new legislation that allows the Commissioner of Revenue Services to share with revenue agencies of other states certain revenue that is collected by the Department of Revenue Services (DRS) as a result of use tax assessments that are made against purchasers of tangible personal property or services.

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**EFFECTIVE DATE:** Effective for use tax assessments made with the assistance of revenue agencies of other states on or after June 8, 1998.

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**STATUTORY AUTHORITY:** Conn. Gen. Stat. §12-416b.

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**BACKGROUND:** The State of Connecticut has initiated **Operation Equity** — **E**Quality in **U**se Tax **I**mpacting All **T**axpa**Y**ers — to encourage cooperation among states and facilitate the collection of use tax on untaxed purchases, particularly from mail order and Internet retailers. **Operation Equity** allows the Commissioner of Revenue Services to share with revenue agencies of other states certain revenue that is collected by the Department of Revenue Services as a result of use tax assessments made against purchasers of tangible personal property or services.

**Operation Equity** is a means for states to aid each other in the collection of use tax on purchases of "big ticket" items by individuals, as well as on purchases made by businesses when the seller is not required by law to collect sales tax. Such items may include computers, jewelry, furs, furniture and appliances purchased by individuals or office supplies, furniture and equipment purchased by businesses. **Operation Equity** also applies to the purchase of taxable services by individuals and businesses.

### SHARING CERTAIN USE TAX REVENUE WITH REVENUE AGENCIES OF OTHER STATES:

Under Conn. Gen. Stat. §12-416b, revenue agencies of other states can submit information to the Department of Revenue Services that assists the Department in making use tax assessments against Connecticut purchasers of tangible personal property or services, and share up to 50% of the revenue collected. Conn. Gen. Stat. §12-416b provides:

*The Commissioner of Revenue Services is authorized to pay a revenue agency of another state an amount not to exceed fifty per cent of the tax actually collected as the result of an assessment made under section 12-416 against any purchaser of tangible personal property or services described in subsection (2) of section 12-407 if said commissioner, in his sole discretion, determines that information provided by such agency was instrumental in the making of such assessment.*

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### TANGIBLE PERSONAL PROPERTY AND ENUMERATED SERVICES:

Generally, tangible personal property that is purchased, or leased by a lessee, for storage, use or other consumption in Connecticut is subject to tax. The rendering of certain services is also subject to tax in Connecticut, provided the benefit of the services is received in Connecticut. Taxable services in Connecticut include, but are not limited to, the following:

- Computer and data processing services, including Internet access;
- Credit card information and reporting services;
- Services by employment agencies and agencies providing personnel services;
- Private investigation services;
- Services to industrial, commercial or income-producing real property;

- Business analysis, management, management consulting and public relations services;
- Repair and maintenance services to all types of tangible personal property, including motor vehicles, machinery and appliances, but excluding vessels and most aircraft;
- Maintenance and janitorial services;
- Telecommunications (telephone) services; and
- Cable television and satellite broadcasting services.

For a complete list of taxable services, please see Conn. Gen. Stat. §12-407(2). For a complete list of exemptions from Connecticut's sales and use taxes, please see Conn. Gen. Stat. §12-412.

**Sales for Resale:** Generally, purchasers of tangible personal property or taxable services may purchase the property or services for resale without paying tax. See Conn. Gen. Stat. §12-411(9) through (14) for more information regarding purchases for resale.

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#### **INFORMATION TO BE PROVIDED BY REVENUE AGENCIES OF OTHER STATES:**

A revenue agency from another state must provide the Department of Revenue Services with information that is *instrumental* in making a use tax assessment against the purchaser of tangible property or services being used in Connecticut to share a portion of the tax collected by the Department.

Information that will assist the Department in making an assessment against a purchaser of tangible personal property or services includes:

- Name and address of the vendor;
- Name and address of the purchaser;
- Address to which the tangible personal property was shipped;
- Invoice numbers;
- Purchase price of the tangible personal property or services;
- Description of the tangible personal property;
- The date on which the sale of the tangible personal property or services occurred; and
- Copies of invoices.

This list is not intended to be exhaustive. The Department will review all the information it receives and determine its validity. **Note:** The Department prefers that this information be submitted in electronic format. Contact the DRS Refunds, Clearance and Adjustments Unit at (860) 541-3253 for more information about acceptable types of electronic formats.

#### **PROCEDURES FOR SUBMITTING INFORMATION TO THE DEPARTMENT:**

Complete **Form AU-399**, "*Operation Equity*" *Revenue Sharing Worksheet, State of Connecticut*, and send it with any information to the Department at:

Department of Revenue Services  
Audit Division - RCA Unit  
25 Sigourney Street  
Hartford, CT 06106

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#### **PERCENTAGE OF REVENUE PAID TO REVENUE AGENCIES OF OTHER STATES:**

A revenue agency from another state that has provided the Department with information that was *instrumental* in making a use tax assessment against the purchaser of tangible personal property or services will receive up to 50% of the use tax revenue actually collected by the Department. This does not include any penalties or interest the Department may collect. Once the tax has been fully collected, the Department will send the revenue agency a check for its share of the use tax revenue collected.

The percentage of use tax revenue to be paid to a revenue agency is at the sole discretion of the Commissioner of Revenue Services. This percentage will be based upon how instrumental the Commissioner determines the information submitted was in assisting the Department in making an assessment.

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**CONFIDENTIALITY:** As a general rule, Conn. Gen. Stat. §12-15 prohibits the Department from releasing *return information*. (*Return information* includes essentially any tax information that relates to the liability of any person for any tax.) Conn. Gen. Stat. §12-15(b)(3) provides, however, that the Commissioner of Revenue Services may disclose return information to "tax officers of another state . . . authorized for such purpose in accordance with an agreement between this state and such other state."

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**EFFECT ON OTHER DOCUMENTS:** SN 99(6) is superseded.

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**EFFECT OF THIS DOCUMENT:** A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates the Department's informal interpretation of Connecticut tax law and may be referred to for general guidance by taxpayers or tax practitioners.

**FOR FURTHER INFORMATION:** Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free from within Connecticut), or
- **860-297-5962** (anywhere).

**TTY, TDD and Text Telephone users only** may transmit inquiries 24 hours a day by calling 860-297-4911.

**FORMS AND PUBLICATIONS:** Forms and publications are available all day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS web site: **[www.state.ct.us/drs](http://www.state.ct.us/drs)**
- **DRS TAX-FAX:** call **860-297-5698** from the handset attached to your fax machine and select from the menu
- **Telephone:** Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2**; or **860-297-4753** (anywhere)

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